



COMMONWEALTH OF VIRGINIA

Cost Comparison Program ACOMPETE®



USER'S MANUAL

**Developed by the Commonwealth Competition Council
Richmond, Virginia**



Important: This software program is not to be released outside the Virginia Government

ACKNOWLEDGMENT

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USE OF MANUAL

8 1996 Commonwealth of Virginia.

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CHAPTER 1

INTRODUCTION / OVERVIEW

ACOMPETE®

This manual provides instructions for operating the Commonwealth of Virginia Cost Comparison program "COMPETE." The program was developed and is maintained by the Commonwealth Competition Council.

ACOMPETE" is a system designed to assist in developing and comparing the relative cost of operating functions by government or by contract. This comparative analysis is part of the overall Competition Process developed by the Council as shown in Figure 1.

You will find ACOMPETE® is easy to learn and operate. However, before beginning to work with ACOMPETE®, you will need to become acquainted with some of its basic operating features, such as data entry and moving about within the spreadsheet. These will be covered in Chapter 3. Also you will want to ensure the program is correctly installed according to the instructions in Chapter 3 (Getting up and Running).

The ACOMPETE® Cost Comparison Program can perform all types of cost comparisons:

- Conversions from government to contract;
- conversion from contract to government;
- new requirements/expansions, and
- "What if" scenarios.

The full Cost Comparison is the result of managed competition between government agencies and the private sector. By a competitive, open market approach between public sector providers and the private sector, government entities can determine the best value to provide services. By including public sector service providers in a competitive procurement broadens the competitive field and tends to keep the private bids lower. In addition, managed competition retains some public capacity (for example, provision of the service should the private sector fail to perform adequately).

Figure 1

COMMONWEALTH COMPETITION COUNCIL PROCESS

Step One

INPUT

- Public Hearings
- Business Interests
- Government Input
- Inventory

Step Two

SELECTION

- Public or Private Performance Analysis

Step Three

COMPETITION

- Virginia Public Procurement Act
- Request for Proposals
- Invitation for Bid
- Evaluation

Step Four

AWARD

- Cost Comparison
- Independent Audit
- Appeal Process

Step Five

MONITOR

- Quality Assurance
- Post Performance Review

Process approved by Commonwealth Competition Council at its May 15, 1996 meeting

CHAPTER 2

GENERAL OPERATING GUIDELINES

Costs of State Functions/Activities - Why Measure?

Conscientious managers throughout all levels of government continually seek to improve performance within their organizations in two major ways: **operationally**, by enhancing the timeliness and quality of services provided by their agencies, and **financially**, by reducing the costs of providing those services. **ACOMPETE@** is designed to assist managers in determining the full cost of their activities.

All levels of government are faced with limited financial resources with which to perform the services they are mandated to provide. Changing economic conditions and public concern about service quality have increasingly imposed on financial managers the need to demonstrate clearly what is being accomplished with citizens' tax dollars.

Government provides a vast array of services for needs that, for a variety of reasons, are not or, cannot be provided by the private sector. Some social goods and services are provided by government as a matter of public policy. Other services, such as medical care, which possibly could be provided through the private sector, likely would be too costly for some recipients and therefore also are delivered by government. Other services, such as utilities, often are provided through government as a policy, but are paid for in whole or in part by recipients.

Regardless of the type of service or the reasons underlying governmental delivery of them, financial managers face special challenges in achieving efficient, cost-effective operations in the governmental environment. Hence, it is important that government determine the full cost of providing service to complete the analysis process.

There are several interrelated and interdependent approaches to improving efficiency, the last of which is the major focus of the Commonwealth Competition Council:

- C The improvement of institutional arrangements within the government. Possibilities include simulation of price and market mechanisms within the government, improvement of budget and accounting methods, provision of more appropriate incentives, and reorganization of the decision-making process.
- C Increased reliance on systematic quantitative analysis to determine the most efficient methods.
- C Improved understanding of the nature of the activity to allow the selection of appropriate alternatives (e.g., outsource, privatization, public-private partnerships), and the development of an economic criterion for choosing the most efficient approach.

What Costs are Relevant and how does the Competition Operate?

Although government agencies do not operate in a profit-motivated environment, techniques used in profit-seeking organizations often have been advocated for adoption by government organizations to improve financial performance and operational efficiency.

A primary emphasis in the private sector is the use of cost management techniques to seek the lowest possible cost consistent with timely delivery of quality goods/services to be competitive and still remain in business. These same techniques may be relevant to effective resource allocation and financial performance evaluation processes for government operations.

The objectives for which costs are identified determine the framework for including costs. A cost objective is any **activity** for which a measure of cost is required, and costs incurred generally are considered **direct** or **indirect** with respect to an activity.

Direct costs are those costs which can be practically traced or related to a particular activity, while indirect costs cannot. As in a profit-seeking service environment, indirect cost allocation to government activities may be made for purposes of planning and decision analysis, pricing, performance evaluation and control.

For purposes of developing the cost of state performance, the estimated costs of a function or activity under study will be based upon the following:

- C Personnel Costs
- C Materials and Supply Costs
- C Fixed Assets and Depreciation
- C Other Specifically Attributable Costs
 - Rent
 - Maintenance and Repair
 - Insurance
 - Utilities
 - Travel
 - Nondepreciable Fixed Assets
 - Interagency Charges
 - Outside Contractors
 - Other Costs
- C Overhead/Indirect Costs
 - Operations Overhead
 - General and Administrative Overhead
- C Additional Costs

Where Do I Get Assistance?

Comments, suggestions or requests for assistance and training may be addressed to the Commonwealth Competition Council, P.O. Box 1475, Richmond, Virginia 23218-1475. Telephone (804) 786-0240, Fax (804) 786-1594, or e-mail the Council at competition@state.va.us

CHAPTER 3

SPECIFIC GUIDELINES (Developing the Government Cost Estimate)

Data Entry

Where to get the Data.

You will be retrieving your data from various resources. Most of the data can be retrieved from existing systems such as:

- C CIPPS - Commonwealth Integrated Payroll and Personnel System
- C PMIS - Personnel Management Information System
- C CARS - Commonwealth Accounting Reporting System
- C FAACS - Fixed Asset Accounting and Control System

If the information cannot be obtained from any of the above resources, it may be necessary to direct your question to a person that is/was involved with the activity/function.

Getting Started with the Computer Model.

System requirements

The method to use this program is Excel version 4.0 or above running in a Windows environment.

Getting up and running

You need to boot up the system and launch the Excel program.

- C Insert the disk labeled COMPETE into your A: or B: drive.
- C Choose File from the pull down menu at the top of your screen
- C Select Open from the menu and change your drive to A: or B: drive
- C Choose the spreadsheet labeled COMPETE and click on AOK@

Important

Once you have the program on your screen as described above, you must save it under a different name. To do this click on AFile@ from the top of your screen and select ASave As.@ When doing this you must change the location of which you are saving the new file to. Choose C: as the drive in which your new copy will be placed and name the spreadsheet in accordance with the function/activity that is under study.

Entering Data

Within the spreadsheets you will notice that there are several cells which are left blank and several with just zeros in them. **The only place that you will need to enter data will be in the cells left blank.** The details of which cells to enter information into will be discussed in the section labeled **A**Instructions for Completing Spreadsheets.®

Once you have entered a value in a cell, to move to the next cell you simply press the arrow key in the direction you want to go, or you can place the mouse cursor over the cell in which you would like to place a value in and click once on the left mouse button. If you need to enter or change a cell that already has data in it, simply place the mouse cursor over that cell, click once with the left mouse button and enter your new value and then press enter.

There are symbols used throughout this manual which will assist you in entering data, they are as follows:



- Enter Data Here



- Important Note

Assumptions

The assumptions for these spreadsheets can be found on the page labeled **A**Assumptions Page®, page A-1 of the Appendix. The following assumptions assume a common base for comparison:

- C Inflation rate
- C Approximated state pay adjustment
- C Fringe benefit rate for both full time and part-time employees
- C Health insurance premiums



Note: The **ACOMPETE**® program is developed to accept different assumptions and will be automatically applied to the required data entries. As future versions of **ACOMPETE**® are issued, assumptions and the program will be updated on a new diskette.

Rounding Rule

Round entries on spreadsheets to the nearest dollar.

Performance Periods

A performance period represents one fiscal year. If the data is for less than one fiscal year, pro-rate all cost elements over the number of months in the performance period.



Exception - If the item is a one time cost, do not pro-rate it.

Spreadsheets to be Completed

You will need to complete the following forms and spreadsheets for each performance period in the cost study (the spreadsheets are tabbed and the names are pre-printed on the spreadsheets):

- C Cost Submittal (Complete once for the total performance periods)
- C Personnel - Full Time & Part Time Employees Eligible for Fringe Benefits
- C Personnel - Part Time/Temporary/Contract Positions
- C Material & Supply Costs
- C Fixed Asset Purchases & Deprecation
- C Depreciation on Existing Assets
- C Other Specifically Attributable Costs
- C Overhead Costs
- C Additional Costs
- C Activity - Based Cost Performance Measurements

L Note: Cost Comparison Form - Part I - This form is automatically computed from the spreadsheet data with the exception of Total Agency FTEs, which must be entered by the agency.

Agency Requirements

The agency is required to complete all the above referenced spreadsheets. The agency **does not** complete the Cost Comparison Form - Part II. This spreadsheet will be completed by the Commonwealth Competition Council with input and assistance from agencies. The following definitions describe some of the entries.

Line 11 - Contract Administration

Estimated cost to monitor the contract.

Line 12 - Additional Costs

This cost element includes any additional costs to the State, such as transportation costs or purchased services resulting from unusual or special circumstances that may be encountered in particular cost comparisons.

Line 14 - One-time Conversion Costs

These costs may be one-time labor related costs. In addition to severance pay, these costs may include health benefit costs, relocation and retraining expenses, and initial contractor security clearance requirements.

Line 18 - Conversion Differential

This is the minimum conversion that must be met before converting to contract. The minimum differential is established so that the state will not convert for marginal estimated savings.

CHAPTER 4

Instructions for Completing Spreadsheets

Agency Cost Submittal Form

Purpose: To insert the information about the project under comparison

Location on Cost Comparison Form: N/A

What information you will need:

- The agency name and agency number
- The agency address
- The agency phone number
- A brief description of the function/activity under study
- Funding source
- Name and Title of person that prepared the estimate
- Name and Title of person that reviewed the estimate
- Name and Title of person that submitted the estimate

Where you can acquire this information: This information will be provided by the agency.

Entering data: Enter the information to the right of the field (see example on page A-2 of the Appendix).

L

Note: The lower portion of this form will be completed by the Commonwealth Competition Council.

Cost Comparison Form - Part I

Purpose: The purpose of this spreadsheet is to summarize state performance costs for a particular state function.

What information you will need: Costs shown on this form will be calculated automatically, **with the exception of total central office agency FTE=s**, from data that is entered throughout the various applicable spreadsheets which are discussed in subsequent sections of this manual.

Where you can acquire this information: Total central office agency FTE=s from your Agency Human Resources Staff

Entering data: Enter total central office agency FTE=s as shown below:

**COMMONWEALTH OF VIRGINIA
COMMONWEALTH COMPETITION COUNCIL
COST COMPARISON FORM
STATE VS. CONTRACT PERFORMANCE**

STATE PERFORMANCE COSTS		/-----PERFORMANCE PERIODS-----/				
		YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE
1	PERSONNEL COSTS - FULL TIME	\$81,547	\$81,594	\$84,497	\$86,007	\$89,086
2	PERSONNEL COSTS - PART TIME/TEMPORARY/CONTRACT	\$17,186	\$16,300	\$16,912	\$17,230	\$17,879
3	MATERIAL & SUPPLY COSTS	\$78,125	\$1,182	\$40,618	\$58,082	\$3,466
4	FIXED ASSET PURCHASES - \$5,000 OR MORE (1)	\$45,000	\$762,000	\$335,000	\$166,000	\$1,215,000
5	DEPRECIATION - NEW & EXISTING ASSETS	\$25,432	\$167,075	\$224,218	\$248,671	\$494,371
6	OTHER SPECIFICALLY ATTRIBUTABLE COSTS	\$540,000	\$80,000	\$696,565	\$681,812	\$245,330
7	OPERATIONS OVERHEAD COSTS	\$10,000	\$10,280	\$10,558	\$10,843	\$11,135
7a	GENERAL & ADMINISTRATIVE OVERHEAD COSTS (2)	\$94,300	\$96,940	\$99,558	\$102,246	\$105,006
8	ADDITIONAL COSTS	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700
9	TOTAL STATE COSTS (excluding fixed asset purchases line 4)	\$848,290	\$455,071	\$1,174,626	\$1,206,591	\$967,973
FULL TIME EMPLOYEES - FTE's		2.00	2.00	2.00	2.00	2.00
PART TIME/TEMPORARY/CONTRACT - FTE's		0.48	0.48	0.48	0.48	0.48
TOTAL FTE'S		2.48	2.48	2.48	2.48	2.48
TOTAL CENTRAL OFFICE AGENCY - FTE's		6.00	6.00	6.00	6.00	6.00
RATIO OF FUNCTION FTE's to CENTRAL OFFICE AGENCY FTE's (This ratio is applied to general & administrative overhead costs)		0.41	0.41	0.41	0.41	0.41

Cost Comparison Form - Part Two

This particular section of the Cost Comparison is not applicable to the development of the state performance costs of a state function. (No information needs to be entered on this worksheet.)

Personnel Costs - Full Time & Part Time Employees Eligible for Fringe Benefits

Purpose: This spreadsheet compiles total personnel costs for full-time employee positions in the function under study. It includes part-time, classified employees who work at least 20 hours per week. Such costs include:

- C Base compensation - salaries and wages
- C Other entitlements (if applicable) - which earn fringe benefits, e.g., overtime pay, night differential and hazardous duty pay.
- C Other pay (if applicable) - that do not earn fringe benefits, e.g., uniform pay.
- C State paid health insurance costs.

Location on Cost Comparison Form: Line 1

What information you will need/where to find it:

Needed

Position classification/Job description
Position number
Job grade (optional field in CIPPS)
Length of service
Full time equivalent
Current annual salary
Annualized other entitlements
Monthly state health insurance costs
per individual

Where to find it

CIPPS

PMIS

CIPPS

CIPPS

CIPPS

CIPPS

CIPPS

Go to the Assumptions page and apply the appropriate rate for the individual's

h

HEALTH INSURANCE MONTHLY PREMIUMS: (State share depending on plan)	COST	KEY
	ALLIANCE	ADVANTAGE
SINGLE	\$257	\$164
EMPLOYEE + ONE	\$257	\$253
FAMILY	\$257	\$325
FAMILY - TWO STATE EMPLOYEES	\$257	\$400

t

h plan. (See example below)

Other pay

CIPPS

Entering data:

Enter only the information below the field shown in the example (see example on page A-3 of the Appendix). All other data is automatically computed.

Personnel Costs - Part-Time/Temporary/Contract Positions

Purpose: This spreadsheet compiles total personnel costs for part-time/temporary/contract employee positions in the function under study. Such costs include:

- Ⓒ Base compensation - hourly wages, contract wages, and hours worked
- Ⓒ Other entitlements (if applicable) - which earn fringe benefits, e.g., overtime pay, night differential and hazardous duty pay.
- Ⓒ Other pay (if applicable) - that do not earn fringe benefits, e.g., uniform pay.

Location on Cost Comparison Form: Line 2

What information you will need/where to find it:

Needed	Where to find it
Position classification/Job Description	CIPPS
Position number (if available)	Agency Human Resources Staff
Job grade (optional field in CIPPS)	CIPPS
Contract employee (enter yes or no)	CARS (if yes), CIPPS (if no)
Length of service (if available)	Agency Human Resources Staff
Number of hours worked	CIPPS
Hourly or contract wage	CIPPS /CARS
Annualized other entitlements	CIPPS
Other pay	CIPPS

Entering data: Enter only the information below the field as shown in the example (see example on the page A-4 of the Appendix). All other data is automatically computed.

Material and Supply Costs

Purpose: This spreadsheet compiles total material and supply costs for all periods of the cost comparison. Use current costs for all years. The first year will reflect actual and/or projected costs. The second and all subsequent years will be projected with the appropriate inflation factors automatically. CARS contains data on expenses already incurred.

Location on Cost Comparison Form: Line 3

What information you will need / where to find it:

Item description	/	CARS/Procurement Records
Supply source	/	Procurement Records/CARS
Quantity required	/	Procurement Records/CARS
Unit price	/	Procurement Records/CARS

Material mark-up costs - These costs represent shipping, storage, and spoilage costs not included in the direct material cost. This column also represents materials obtained from other state agencies such as transportation costs.

Entering data: Enter the information below the field (see example below).

Fixed Assets - New Purchases & Depreciation Costs (\$5,000 or More)

Purpose: This spreadsheet depreciates all new fixed assets costing \$5,000 or more that will be purchased

MATERIAL AND SUPPLY COSTS							
YEAR 1							
A	B	C	D	E	F	G	H
ITEM	SUPPLY SOURCE	QUANTITY REQUIRED	UNIT PRICE	INFLATION FACTOR (YEAR 1)	MATERIAL MARK-UP COSTS	ADJUSTED UNIT PRICE (D x E x F)	ANNUAL MATERIAL COST (C x G)
POCKET PROTECTORS	PROTECTORS R US	50,000	1.25	0.00%	25.0%	1.56	78,125
				0.00%		0.00	0

to support the function under study. Fixed assets costing less than \$5,000 are reported in AOther Specifically Attributable Costs@spreadsheet.

Location on Cost Comparison Form: Line 4 and Line 5

What information you will need/where to find it:

What you will need

Description of fixed asset

Where to find it

CARS and FAACS can be used as a basis to complete this spreadsheet. FAACS contains records of assets already purchased and can be

used to project future purchases.

L

Important Notes:

1. Salvage value - Enter the salvage value only if previously entered into FAACS or it is reasonably known in advance of the new fixed asset purchase.
2. Useful life - Estimated period of economic usefulness of the asset. Similar equipment with the same useful life can be entered on one line in the spreadsheet. Similar equipment with a different useful life must be entered separately in the spreadsheet.
3. Exceptions to \$5,000 rule:
 - a Agencies that receive federal Medicare or federal Medicaid funding are required to capitalize assets costing \$500 or more.
 - b Higher education institutions with a threshold lower than \$5,000 must use their respective threshold.
 - c Enterprise funded agencies must use their respective capitalization threshold.

Entering data: Enter the information below the field (see example below).

L

Note: Questions pertaining to depreciation should be referred to the Assistant Manager, Fixed Asset & Lease Accounting, Department of Accounts, (804) 225-2646.

A	B	C	D
	YEAR 1 NEW PURCHASES	YEAR 1 SALVAGE VALUE	YEAR 1 DEPRECIABLE BASIS
COMPUTERS	15,000	2,500	12,500

Q	R	S
TOTAL NEW PURCHASES	USEFUL LIFE	YEAR 1 DEPRECIATION COST
815,000	7.0	1,786
0	0.0	0

Depreciation on Existing Fixed Assets (\$5,000 or More)

Purpose: This spreadsheet depreciates all existing fixed assets costing \$5,000 or more that pertain to the function.

Location on Cost Comparison Form: Line 5

What information you will need/where to find it:

What you will need

Description of fixed asset
and/or capital improvement

Asset cost

Salvage value

Original useful life

Remaining useful life

Where to find it

FAACS (Use the **A** Straight Line Calculation
Audit Report[®] provided by the Department of
Accounts)

FAACS

FAACS

FAACS

FAACS

L Important Notes:

1. **Salvage Value** - Enter the salvage value only if previously entered into FAACS.
2. **Original useful life** - Similar equipment with the same original useful life can be entered on one line in the spreadsheet. Similar equipment with a different original useful life must be entered separately in the spreadsheet.
3. **Capital improvement** - Costs of major overhauls and/or modifications which add value to or extend the life of a capital asset. (Normal maintenance is not capitalized).
4. **Exceptions to \$5,000 rule:**
 - a. Agencies that receive federal Medicare or federal Medicaid funding are required to capitalize assets costing \$500 or more and to record the depreciation as such.
 - b. Higher education institutions with a threshold lower than \$5,000 must use their respective threshold and to record the depreciation accordingly.
 - c. Enterprise funded agencies must use their respective capitalizations threshold to record

DESCRIPTION OF FIXED ASSET OR CAPITAL IMPROVEMENT TO FIXED ASSET ^{***}	ASSET COST	SALVAGE VALUE	DEPRECIABLE BASIS	ORIGINAL USEFUL LIFE	REMAINING USEFUL LIFE
COMPUTERS	125,000	0	125,000	10.0	8.0
DESKS	45,000	5,000	40,000	10.0	1.0
Dry Cooler	8,205	0	8,205	15.0	3.0
CPU	7,989	1,000	6,989	20.0	9.0



their depreciation.



Entering data: Enter the information below the field (see example below).

L Note: Questions pertaining to depreciation should be referred to the Assistant Manager, Fixed Asset &

Lease Accounting Department of Accounts, (804) 225-2646

Other Specifically Attributable Costs

Purpose: This spreadsheet records all other costs that are fully incurred by the function or activity under study.

Location on Cost Comparison Form: Line 6

What information you will need/where to find it: CARS (Primary Source)

Rent - This cost is incurred for the use of non-state assets (land, buildings, plant, machinery and equipment) by the function under study. If function does not pay rent, it is necessary to compute an A-in-kind@cost of space.

Maintenance - This cost is incurred to keep buildings and equipment in normal operating condition. It does not include capital improvements which add value to an asset. Such improvements are accounted for in depreciation.

Utilities - These are costs for fuel, electricity, telephone, and water and sewage services.

C The amount of these costs applicable to the function under study is determined on a metered or allocated basis of consumption.

C Pro-rate these costs by a unit of measure that applies directly with consumption (e.g., floor space, number of telephones, etc.)

Insurance - This cost includes direct charges for property and casualty insurance coverage. For all other insurance costs, including self-insured costs, use the amount billed by the Division of Risk Management.

Travel - These costs should be readily available from budgeted amounts of per diem, motor pool charges, auto reimbursements, and other travel costs needed to support the function.

Fixed Assets - Fixed Assets costing less than \$5,000

Interagency Charges - Charges assessed by other state agencies for services rendered.

Other Costs - This is a general category of direct attributable costs that do not properly fit into one of the elements of cost. (Example - Purchased services, transportation costs)

Debt Service - This is the cost of principal and interest obligations.

Outside Contractors - Nonpersonal costs of services provided by contractors, vendors and consultants

Entering data: Enter the information below in each performance period field (see example on page A-5 in the Appendix).

Overhead / Indirect Costs

Purpose: To calculate the two types of overhead (operations/general and administrative) incurred in support of the function or activity which are not 100 percent attributable to the function or activity. The two types of overhead are explained below.

Location on Cost Comparison Form: Line 7 - Operations Overhead
Line 7a - General and Administrative Overhead

What information you will need/where to find it:

Operations overhead - Operations overhead is the cost incurred in support of the function by the supervisory workforce **one level** above the studied function. For example, for a grounds maintenance function, the portion of the work load of the general foreman who spends time supervising the grounds maintenance function is attributable to the function.

General and Administrative overhead - These are internal agency support costs, other than operations overhead, incurred in the support of the studied function. Examples include:

- Agency director / CIPPS & CARS
- C Comptroller and accounting functions
- C Legal support
- C Personnel services
- C Public relations
- C Security services
- C Data processing
- C Procurement/contracting
- C Transportation

L General and administrative overhead costs are automatically allocated to the studied function on a FTE ratio basis. The number of FTEs from the Personnel Costs Worksheets) by the number of FTEs in the **central office agency** H the agency general and administrative costs = the dollar amount automatically entered on Line 7a for each year of the cost comparison.

Entering data: Enter the information below each performance period field. First enter year one cost. For year two, multiply year one cost by the corresponding inflation rate on the Assumptions Page. Repeat this step for years three thru five by using the corresponding inflation rate. (See example on page A-6 in the Appendix.)

Additional Costs

Purpose: To record any one time state costs which are not classified appropriately in the cost elements of the previous spreadsheets. Include the costs associated with building construction (if not already entered in new fixed assets) and capital leases and any additional costs resulting from unusual or special circumstances which may be encountered in the cost study.

Location on Cost Comparison Form: Line 8

Entering data: Enter the information below the field (see example below).

DESCRIPTION	/-----PERFORMANCE PERIODS-----/					TOTAL
	YEAR	YEAR	YEAR	YEAR	YEAR	
	ONE	TWO	THREE	FOUR	FIVE	
Cold Storage	200	200	200	200	200	1,000
Demurrage	500	500	500	500	500	2,500
Lease Cancellation	1,000	1,000	1,000	1,000	1,000	5,000
						0



Activity Based Cost Performance Measurement Spreadsheet

Purpose: To develop activity-based costs for core activities and to determine the annual cost per service unit of output. This data will assist in developing a most efficient and competitive organization (MECO).

Location on Cost Comparison Form: N/A

What information you will need/where to find it:

What you will need

Description of major performance activities
 Percentage of time spent on each activity (refer to attached example)
 Number of service units of each major performance activity

Where to find it

Internal agency organization and records

Entering data: Enter the information below the field (see example below).

A	B	C1
List & Describe the Major Performance Activities Conducted by the Service/Function Under Study	% of Time Expended On Each Activity	Personnel Costs
Pay invoices	20%	19746.59
Collect receivables	20%	19746.59
Prepare financial reports	15%	14809.94



L

Note: The percentages of time entered for the activities in the function under study must **TOTAL 100%** in order for the activity costs to equal the total function costs on Cost Comparison Form, Part I. The ACOMPETE® program automatically applies the percentage of activity time to the total function costs and computes the annual cost per service unit of output when the number of service units is entered.

C7	D	E
	Number of Service Units of Each Major Performance Activity (Service Units of Output)	Annual Cost Per Service Unit of Output ^{**}
Additional Costs		(C1,C2,C4..C7) / D
340.00	1000	169.66
340.00	1000	169.66
255.00	1000	127.24

How to Compute the Percentage of Time Expended on each Activity

In order to avoid either over/understating the annual cost per service unit of output, it is necessary to manually calculate the percentage of time expended on each activity. This is accomplished by calculating the *combined* full-time and part-time personnel costs of the personnel working in the activity as a percentage of the **TOTAL** personnel costs of the total function or service under study.

By reference to the attached example, Year 1 personnel spreadsheets and Year 1 activity cost spreadsheets, the calculation would be as follows for the **four** example performance activities shown below:

Director of Finance - $\$62,910 \div 4 = \$15,727$ to be allocated to each activity.

Performance Activity	<u>A</u> Annual Personnel Costs (Full-time & Part-time)	<u>B</u> Director of Finance Allocation (1/4 to each)	(<u>A + B</u>) Personnel Costs of Activity	% of Total Personnel Costs of Function/Study
Payroll	151,557	15,727	167,284	34%
Accounts Receivable	120,182	15,727	135,909	28%
Accounts Payable	56,746	15,727	72,473	15%
Collections	94,180	15,727	109,907	23%
TOTALS	422,665	62,908 ¹	485,573 ²	100%

¹ Difference is due to rounding

² This is 100% of the total personnel costs in Year 1 for both full-time and part-time employees.

The same percentages will apply to the second through fifth years **UNLESS** you know in advance that there will be a realignment of staff duties, or a reduction or a transfer of staff assigned to the activities. In these cases, the percentages should be recalculated for the applicable year in which the changes will or are expected to occur.

CHAPTER 5

Submission of Data

Printing a hard copy: To print a copy of the total cost study, including the cost submittal form, cost comparison form part I & II, and all spreadsheets, you must go to **each** individual spreadsheet and select the area with the text and data. To do this, place your mouse over the first box in which text appears and drag it to the last box that contains text. Once you have done this select **AFile@** from your pull down menu and then select **APrint@**, change your options to **APrint Selection@** and press **AOK@**. You may have to adjust your page settings to fit all of the spreadsheet to one page.

Saving your work: Once you have completed entering the data into the spreadsheets you will need to save your work. To do this, choose **AFile@** from the pull down menu and then select **ASave@**.

Submitting your work: You will need to send both a hard copy (printed) and a diskette of the spreadsheets to the Commonwealth Competition Council at the following address:

Commonwealth Competition Council
Commonwealth of Virginia
Post Office Box 1475
Richmond, Virginia 23218-1475

Appendix

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Chapter 5

Commonwealth of Virginia
COMMONWEALTH COMPETITION COUNCIL
ASSUMPTIONS PAGE

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>
INFLATION RATE**	0.00%	2.30%	2.40%	2.40%	2.40%
APPROXIMATED STATE PAY ADJUSTMENT	1.76%	1.76%	1.76%	1.76%	1.76%
FRINGE BENEFIT RATE - FULL-TIME & PART-TIME EMPLOYEES ELIGIBLE FOR FRINGE BENEFITS (EXCLUDING HEALTH INSURANCE)***	20.62%	20.62%	20.62%	20.62%	20.62%
FRINGE BENEFIT RATE - PART-TIME EMPLOYEES (NO BENEFITS)	7.65%	7.65%	7.65%	7.65%	7.65%

Do not enter in assumption formula's in any spreadsheets. They will calculate automatically.



HEALTH INSURANCE MONTHLY PREMIUMS: (State share depending on plan)	<u>COST ALLIANCE</u>	<u>KEY ADVANTAGE</u>	<u>HMO's Average Cost</u>
SINGLE	\$422	\$220	\$217.00
EMPLOYEE + ONE	\$422	\$328	\$323.00
FAMILY	\$422	\$436	\$430.00
FAMILY - TWO STATE EMPLOYEES	\$422	\$529	\$521.00

** As forecasted by the WEFA Group

*** 1. For fringe benefit rates applicable to state police and
members of VaLors, contact the Commonwealth Competition Council
2. These rates apply to part-time, classified employees who work at least 20 hours per week

Note: The assumptions are periodically updated pursuant to General Assembly action and other factors. When the assumptions change, updates will be made to the "Compete" software and distributed upon request.

**COMMONWEALTH OF VIRGINIA
COMMONWEALTH COMPETITION COUNCIL
AGENCY PERFORMANCE COST SUBMITTAL**

AGENCY:				
ADDRESS:				
				
PHONE NUMBER:				
AGENCY NUMBER:				
DESCRIPTION OF FUNCTION/ACTIVITY:				
				
<small>(Attach additional sheets if necessary)</small>				
FUNDING SOURCE <small>(Select all that apply)</small>	GENERAL <input type="checkbox"/>	FEDERAL <input type="checkbox"/>	SPECIAL REVENUE <input type="checkbox"/>	
	INTERNAL SERVICE <input type="checkbox"/>	TRUST & AGENCY <input type="checkbox"/>	ENTERPRISE <input type="checkbox"/>	
	NAME	TITLE	SIGNATURE	DATE
ESTIMATE PREPARED BY:				
ESTIMATE REVIEWED BY:				
ESTIMATE SUBMITTED BY:				
				
<small>The following items to be completed by the CCC</small>				
	NAME	TITLE	SIGNATURE	DATE
COST COMPARISON ACCOMPLISHED BY:				
COST COMPARISON REVIEWED BY:				
COST COMPARISON DECISION REVIEWED BY:				
ACCOMPLISH FUNCTION BY AGENCY OR CONTRACT:	AGENCY <input type="checkbox"/>	CONTRACT <input type="checkbox"/>		



COMMONWEALTH OF VIRGINIA
COMMONWEALTH COMPETITION COUNCIL

PERSONNEL COSTS - PART TIME/TEMPORARY/CONTRACT POSITIONS

YEAR 1

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
POSITION CLASSIFICATION (1)	POSITION NUMBER	JOB GRADE	CONTRACT EMPLOYEE (YES/NO)	LENGTH OF SERVICE	NUMBER OF HOURS WORKED PER YEAR	FTE (F/2080)	HOURLY OR CONTRACT WAGE	APPROX. STATE PAY ADJUSTMENT RATE	ADJUSTED HOURLY OR CONTRACT WAGE (HxI)	ANNUALIZED OTHER ENTITLEMENTS	BASIC PAY (F x J) + K	FRINGE BENEFITS (L x FB RATE)	OTHER PAY	PERSONNEL COSTS (L + M + N)
Accountant	233421	4	N	2	1000	0.48	15.00	0.00%	15.00	500	15,500	1,186	500	17,186
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0
						0.00		0.00%	0.00		0	0		0



The TOTAL number of part time/temporary positions for this activity/function is:					
The TOTAL number of contract positions for this activity/function is:					



COMMONWEALTH OF VIRGINIA
COMMONWEALTH COMPETITION COUNCIL

OVERHEAD COSTS

	/-----PERFORMANCE PERIODS-----/					
	YEAR	YEAR	YEAR	YEAR	YEAR	
	ONE	TWO	THREE	FOUR	FIVE	TOTAL
OPERATIONS OVERHEAD	10,000	10,280	10,558	10,843	11,135	52,816
GENERAL & ADMINISTRATIVE OVERHEAD						
Agency Director	45,000	46,260	47,509	48,792	50,109	237,670
Legal Support	45,000	46,260	47,509	48,792	50,109	237,670
Security Services	15,000	15,420	15,836	16,264	16,703	79,223
Processing	125,000	128,500	131,970	135,533	139,192	660,194
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
		0	0	0	0	0
TOTAL	240,000	246,720	253,381	260,223	267,249	1,267,573

